



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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January 8, 2001

CERTIFIED RETURN RECEIPT
Z 228 355 113

Steve Flechner, President
North Lily Mining Company
1800 Glenarm Place, Suite 210
Denver, Colorado 80202

Re: Approval of Time Extension Request to December 31, 2000 Deadline - Stipulated Consent Agreement,
North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr Flechner:

The Division has assessed your December 28, 2000, request for a time extension to complete the field reclamation activities at the Tintic Heap Leach Project. Your letter requests an extension of time beyond the December 31, 2000, deadline as established under the Stipulated Consent Agreement. Your letter states that it is North Lily's understanding that we agree to extend the time for performance of the remaining closure and reclamation activities. The Division has not taken a position on this matter before receiving your time extension request and the supporting justification.

Your letter describes North Lily's reasoning and justification for not having completed the reclamation requirements by the December 31st deadline. The Division concurs that significant progress has been made at the project and most of the line items outlined on the Reclamation Schedule have been accomplished. In recognition of the justification provided in your letter and the unforeseen circumstances that have prevented North Lily from completing all of the required reclamation tasks by the December 31st deadline, the Division hereby agrees to extend the time frame another six months (June 30, 2001) to complete the remaining tasks.

A summary of the circumstances and conditions justifying the time extension to complete the remaining reclamation tasks are as follows:

- the continued cooperation, open dialogue and exchange of technical information and ideas that have transpired between the Division, North Lily, its consultant (JBR), and DWQ representatives through biweekly conference calls and onsite inspections;
- the pregnant and overflow solution ponds used for leachate solution storage and enhanced evaporation system operation are still required to manage leach pad draindown volumes throughout the winter and spring until the proposed leachate infiltration gallery is successfully constructed and functioning properly;
- the barren solution pond is not reclaimed as it will be used as a repository for construction/demolition debris, once approval is granted by the Division of Solid and Hazardous Waste;

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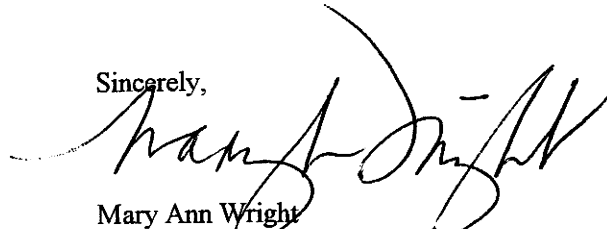
- the office trailer is needed to function as a site office (record keeping, weather protection for site workers, telecommunications, etc.) for personnel use until the final reclamation tasks are completed and the post-closure fluid management system is operational;
- the mill building is still required for temporary storage of the remaining saleable equipment and to house the electrical distribution panel which provides power to the enhanced evaporation system and office trailer;
- the oil storage shed and adjacent storage locker are required to shelter equipment and/or the electrical distribution panel when, and if, it is relocated from the mill building to facilitate demolition of the mill building;
- the steel fuel tanks must temporarily remain until they can be sold;
- the caustic soda tank must remain onsite until the residual frozen solution in the tank bottom thaws and can be delivered to Kennecott Barney's Canyon Mine; and
- it has also taken longer than originally anticipated to ascertain and tailor the most effective technologies and applications to the site specific conditions, given the need to do so on a very limited budget.

Because this Stipulated Consent Agreement was also signed by the Board of Oil, Gas and Mining, we will advise the Board of the additional time frame extension during the briefing session of the January Board Hearing.

The Division remains strongly committed to making sure that the required reclamation and closure activities are completed in an expedient and responsible manner. We believe this is North Lily's intention as well and encourage you to take all prudent steps to ensure that the remaining work is completed within the newly approved time frame.

Thank you for your cooperation in this regard. We look forward to the closure of the Tintic Project by June 30, 2001, and will continue to help facilitate your efforts to the extent that we can. If you have any questions regarding this letter please contact me, or Wayne Hedberg, at (801) 538-5306 and 538-5286, respectively.

Sincerely,



Mary Ann Wright
Associate Director, Mining

jb
cc: Bob Bayer, JBR Consultants
Dennis Frederick, DWQ
Wayne Hedberg, DOGM
Doug Jensen, DOGM
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